

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2013

Docket No. ACR2013

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE ON  
FY 2013 PERFORMANCE REPORT AND FY 2014 PERFORMANCE PLAN  
(March 20, 2014)

In Order No. 1972, the Postal Regulatory Commission (Commission) established a separate comment period regarding the United States Postal Service's FY 2013 Performance Report and FY 2014 Performance Plan.<sup>1</sup> On March 10, 2014, the Public Representative filed comments.<sup>2</sup> The Postal Service hereby submits its reply comments.

**I. The Scope of Review under 39 U.S.C. § 3653(d) is Limited.**

As the Postal Service described in its reply comments filed earlier in this docket, it has become necessary to reiterate the scope of the Annual Compliance Report (ACR) proceeding under the Postal Accountability and Enhancement Act (PAEA).<sup>3</sup> Section 3653 of title 39 directs the Commission to do four things in this docket, two of which relate to compliance and two of which do not. As to compliance, the Commission is charged with determining: (1) whether any rates or fees in effect during the preceding year were not in compliance with chapter 36 and its accompanying regulations; and (2)

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<sup>1</sup> PRC Order No. 1972, Notice Regarding the Postal Service's FY 2013 Performance Report and FY 2014 Performance Plan, Docket No. ACR2013 (Jan. 17, 2014).

<sup>2</sup> Public Representative Initial Comments on FY 2013 Performance Report and FY 2014 Performance Plan, Docket No. ACR2013 ("PR Comments").

<sup>3</sup> Reply Comments of the United States Postal Service, Docket No. ACR2013 (Feb. 14, 2014) at 1-2.

whether any service standards in effect during the preceding year were not met.<sup>4</sup>

Separate from these compliance determinations, the Commission: (3) is directed to review whether the Postal Service has met its performance goals established under sections 2803 and 2804; and (4) may advise the Postal Service as to the protection or promotion of the public policy objectives of title 39.<sup>5</sup> This comment period relates to the latter provisions, rather than the compliance determinations.

The Public Representative's comments indicate a serious over-reading of the scope and purpose of 39 U.S.C. § 3653(d). First, the statute specifically provides that the Commission shall evaluate whether the Postal Service has met the goals established under sections 2803 and 2804.<sup>6</sup> Despite the clear language in the statute, the Public Representative asserts that the Commission's role is to "ensure the Postal Service's section 2803 Performance Plan has provided the required information."<sup>7</sup> The Public Representative also asserts that the Commission's role is to determine "whether there is compliance with sections 2803 and 2804."<sup>8</sup> These assertions of authority are much broader than the statute provides, and it is telling that the Public Representative does not cite to any authority to when making these arguments.

The authority provided by section 3653(d) is limited to an evaluation of whether the Postal Service has met the goals established under sections 2803 and 2804.

Section 3653(d) also provides that the Commission may provide recommendations

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<sup>4</sup> 39 U.S.C. § 3653(b).

<sup>5</sup> 39 U.S.C. § 3653(d); *see also* PRC Order No. 1972 at 1 ("The Commission is required to evaluate whether the Postal Service has met the goals established in its FY 2013 Performance Report and FY 2014 Performance Plan. See 39 U.S.C. § 3653(d). It may also provide recommendations to the Postal Service 'related to the protection or promotion of public policy objectives set out in' title 39. *Id.*").

<sup>6</sup> 39 U.S.C. § 3653(d).

<sup>7</sup> PR Comments at 4.

<sup>8</sup> *Id.*

related to the protection or promotion of public policy objectives set out in title 39. Contrary to the Public Representative's characterization, section 3653(d) does not authorize the Commission to evaluate whether the Performance Plan and Performance Report comply with sections 2803 and 2804, nor does it authorize the Commission to direct the Postal Service to make specific changes.<sup>9</sup> Moreover, the Public Representative repeatedly relies on this incorrect interpretation of section 3653(d) to criticize the Postal Service for failing to meet certain directives from the FY2012 ACD.<sup>10</sup> In addition to the fact that many of these criticisms are factually inaccurate, they are also based on an overly-expansive interpretation of 3653(d).

## **II. The Public Representative's Concerns Are Misplaced.**

The Public Representative asserts that the discussions included in the Comprehensive Statement on Postal Operations (Comprehensive Statement) fail to include "measures of success or future targets," or "indicators as measures of accomplishment toward performance goals."<sup>11</sup> These concerns are misplaced, however, as they relate to portions of the Comprehensive Statement that are not subject to the same statutory requirements as the Performance Plan and Performance Report. As the Postal Service explained in the FY2012 ACR Docket, in addition to providing the information required by 39 U.S.C. §§ 2803 and 2804, namely the Performance Plan and Performance Report, the Comprehensive Statement is also intended to "provide stakeholders with information on how Postal initiatives and programs are setting the

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<sup>9</sup> Further, section 3653(d) does not authorize directives regarding the format, layout, or presentation of the Performance Plan or Performance Report. See, e.g., PR Comments at 6 (criticizing the structure of the reports).

<sup>10</sup> See, e.g. PR Comments at 7-10.

<sup>11</sup> *Id.* at 5-7.

stage for future improvements.”<sup>12</sup> The Postal Service has designed the Comprehensive Statement to satisfy the relevant statutory requirements, as well as to assist a broader stakeholder audience in evaluating the performance of the Postal Service.<sup>13</sup> As such, portions of the Comprehensive Statement are more narrative and descriptive, rather than quantitative. Moreover, a number of the concerns raised by the Public Representative have been addressed by the Postal Service in response to Chairman’s Information Requests.<sup>14</sup>

More specifically, the Public Representative asserts that the Postal Service has not met the requirement to cover each program activity set forth in the budget per 39 U.S.C. § 2803(a).<sup>15</sup> As explained in previous years, the corporate goals provided in the Performance Plan and Performance Report cover the Postal Service’s program activities and provide the required metrics.

The Public Representative is also concerned about the level of detail provided regarding the strategic initiatives.<sup>16</sup> Similar to last year, the Public Representative appears to be imposing the requirements of 39 U.S.C. §§ 2803 and 2804 on the Postal Service’s discussion of the strategic initiatives. As the Postal Service has previously

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<sup>12</sup> USPS-FY12-17 at 27.

<sup>13</sup> *Id.*

<sup>14</sup> For example, the Public Representative asserts that “the Postal Service failed to provide reasons for failing to meet two of its performance measures, the Small/Medium Business measure of Customer Experience and its Voice of the Employee measure for the Workplace environment goal.” PR Comments at 9-10. In addition to addressing these concerns in the Performance Plan and Performance Report, the Postal Service provided supplemental explanations in response to ChIR 12, Q.6 and Q.7. Additionally, the Public Representative asserts that the Postal Service should consider “whether additional efforts to improve customer satisfaction should be initiated in FY 2014.” PR Comments at 14. Again, in response to ChIR 12, Q. 6, the Postal Service explained how it intends to implement a redesigned customer satisfaction program designed to assess customers’ event-based satisfaction and to identify areas for improvement that promote loyalty, repurchase, develop competitive advantage and drive overall purpose.

<sup>15</sup> PR Comments at 8, 10, 16.

<sup>16</sup> *Id.* at 18.

explained in response to the Public Representative's comments in the FY2012 ACR docket, while the strategic initiatives are designed to assist the Postal Service in achieving its corporate goals, they are provided as part of a broader strategic plan to achieve these goals, rather than as part of the Performance Plan and Performance Report. This is further evidenced by the fact that the strategic initiatives are presented and discussed in the Comprehensive Statement, rather than on pages 37-42 of the Annual Report to Congress which contain the Performance Plan and Performance Report.

### **III. The Public Representative's Initial Comments Contain Misstatements.**

The Public Representative's Initial Comments contain factually inaccurate assertions on a number of occasions. For example, with respect to the Performance Goal of Workplace Environment, the Public Representative asserts that the Voice of the Employee survey "does not focus on employee morale or views about management as it affects employees."<sup>17</sup> It is clear from a review of the survey, however, that there are numerous questions targeted at just those concerns.<sup>18</sup> The survey covers a broad spectrum of concerns regarding employee satisfaction, rather than just whether employees believe the Postal Service is doing a good job, as the Public Representative incorrectly asserts.

Finally, the Public Representative asserts that in the FY2012 ACD, "the Commission found that the Postal Service's report reduced the amount of detail about

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<sup>17</sup> PR Comments at 15.

<sup>18</sup> See USPS-FY13-NP39 at Preface.

its performance goals, indicators and strategic initiatives reported in prior years.”<sup>19</sup> In fact, the Commission actually reached the opposite conclusion, stating that “the quality of information provided in FY 2012 improved over the information filed in FY 2011.”<sup>20</sup>

#### **IV. Conclusion**

The Postal Service appreciates the opportunity to comment on the issues raised by the Public Representative in its initial comments.<sup>21</sup>

Respectfully submitted,

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<sup>19</sup> PR Comments at 11. The Postal Service notes that the Public Representative does not cite to a particular page within the FY2012 ACD to support this assertion.

<sup>20</sup> FY2012 ACD at 35; *see also* FY2012 ACD at 46 (stating that “the quality of information provided about the strategic change initiatives improved over the FY 2011 Report and FY 2012 Plan”).

<sup>21</sup> The Public Representative requests that the Commission recommend “that the Postal Service undertake an analysis to provide for public debate on the revenue potential as well as disadvantages of offering advertising space on, and within, its assets.” PR Comments at 19-22. The Postal Service notes that this recommendation appears outside the scope of the exercise at hand, namely evaluating whether the Postal Service has met its performance goals established under sections 2803 and 2804. However, the Postal Service appreciates the Public Representative’s suggestion and will take it under advisement.